

CHAPTER I

INTRODUCTION

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SECTION 1 **INSTRUCTIONS FOR USING CAPITAL CONSTRUCTION** **ACCOUNTING GUIDELINES**

The Capital Construction Accounting Guidelines have been developed by the State Controller's Office (SCO) for agency personnel to follow when a controlled maintenance/capital construction (construction) project has been authorized by legislative action. These guidelines will assist agencies in performing the following responsibilities:

- ♦ Meeting the unique accounting requirements related to processing construction project transactions in COFRS.
- ♦ Meeting the requirements of state statutes and the Fiscal Rules governing the fiscal administration of construction projects.

If agency personnel follow the procedures contained in these guidelines, the agency should be in compliance with both the requirements of statutes governing the fiscal administration of capital construction projects and will be properly recording construction project accounting transactions in the accounting system.

We realize that the project administration and accounting operating environments are different in every agency and that an agency may have to change the guidelines to meet their unique needs. However, an agency may not begin work on a project until a contract has been executed and appropriate budgetary transactions have been approved and recorded. An agency controller may make the following changes to the guidelines to meet the agency's needs:

- ♦ Substitute alternative procedures or procedure steps for those contained in the guidelines.
- ♦ Eliminate or add procedures and procedural steps to those contained in the guidelines.

The agency controller is expected to use appropriate professional judgment to ensure that adequate internal accounting processing controls are maintained and that the requirements of statutes governing the fiscal administration of construction projects are met. The controller is also expected to adequately document:

- ♦ Any deviation from or change to the guidelines made by their agency.

- ♦ The reason the deviation or change was made.
- ♦ An analysis of the impact of the deviations or changes on the agency's ability to maintain adequate internal accounting controls to meet the requirements of statutes governing the fiscal administration of construction projects.

This document should be maintained in a manner that makes it readily available to the SCO internal auditor and the staff from the State Auditor's Office.

SECTION 2
DEFINITIONS

Accounts Receivable - Cash owed to the Capital Construction Fund from sources other than the General Fund. These may be from intergovernmental or other non-state sources, other state agencies, or Intradepartmental/Intra-agency sources.

Acceptable Securities - United States bonds, United States treasury notes, United States treasury bills, general obligation or revenue bonds of this state, general obligation or revenue bonds of any political subdivision of this state, certificates of deposit from a state or national bank or a savings and loan association insured by the FDIC or the FSLIC and having its principal office in this state.

Agency 999 - The State Controller's non-operating state agency.

Agency Cash Account - COFRS balance sheet account 1100 (Cash with State Treasurer) within each fund/agency combination.

American's with Disabilities Act (ADA) - Federal mandate requiring that all public facilities be made handicapped accessible.

Application for Payment - A form, completed and submitted by an architect/engineer, to charge the state agency for services rendered.

Appropriation - A legislative authorization to a state agency to make expenditures which has been approved by the Governor.

Appropriation Transaction (AP) - A COFRS transaction used to record, restrict, unrestrict, transfer, or reduce an appropriation in the accounting system. There are two types of transactions: an appropriation transaction (AP) or a transfer of appropriation (TA).

Art in Public Places Fund - COFRS Fund 273 used to account for projects for *Works of Art In Public Places* and *Works of Art in Correctional Facilities* programs.

Augmenting Revenue - Funding for a capital construction project from any source other than the State's Capital Construction Fund that is recorded as earned revenue in the Capital Construction Fund.

Capital Construction Continuing Appropriation Status (CCCAS) Form - Forms produced and distributed by the SCO that lists all projects active during a fiscal year and identifies them as either continuing projects or expiring projects.

Capital Construction Contract - A written agreement between an agency of the state and another party that is enforceable by law.

- ♦ A capital construction contract is distinguished from other contracts in that a capital construction contract usually results in the recording of land, buildings and other permanent non-movable structures as assets of the state.
- ♦ A contract can be distinguished from a purchase order by the fact that a contract will contain the signatures of both the state agency representative and the outside party providing service or goods, while a purchase order will contain only the signature of the state agency representative.

Capital Construction Fund - COFRS fund 461.

Capital Construction Fund Cash - The cash transferred from the General Fund to the State Capital Construction Fund, the quarterly transfers from the Lottery Fund to the State Capital Construction Fund, and any interest earned by the Capital Construction Fund.

Capital Construction Project - An appropriation or a series of appropriations made to a state agency or institution to complete a specific capital construction objective costing more than \$50,000.

Capital Development Committee (CDC) - Legislative committee that oversees capital construction appropriations from budget formulation to completion.

Certificate for Contractor Payment - A form, completed and submitted by the General Contractor, to charge the state agency for materials and labor supplied by the construction contractor.

Construction Costs - The actual costs necessary to build a building not including any fees paid to an architect/engineer or any costs of equipment not connected to the building and essential to the operation of the building.

Continuing Project - Capital construction project still within the three year life cycle of the standard project appropriation. A continuing project may be completed within the three year life cycle and may have uncommitted spending authority that must be reverted.

Contract Routing Form – Either a SCO form #395-53-07-0085 or a screen print of the CLIN and CLI2 tables that is completed by a state agency that is forwarding a contract amendment, change order, or supplement to one or more central approver(s).

Controlled Maintenance - Corrective repairs or replacement used for existing state owned, general funded buildings and other physical facilities, including, but not limited to, utilities and site improvements, which are suitable for retention and use for at least five years, and replacement and

repair of the fixed equipment necessary for the operation of such facilities, when such work is not funded in an agency's operating budget to be accomplished by the agency's physical plant staff.

The difference between capital construction and controlled maintenance projects has also been described by the application of certain project drivers:

- ♦ **Maintenance Driven:** Defined as those projects arising out of the deterioration of a facility's physical and functional condition, including site and infrastructure, and the inability to comply with current codes. These types of requests would be considered as controlled maintenance.
- ♦ **Program Driven:** Defined as those projects arising out of an agency's need to create, expand, or alter a program due to growth, advances in technology or changes in methods or program delivery. Requests addressing physical space requirements needed to accommodate particular functions, such as those traditionally included in facility programs would constitute a "Program Driven" request, and, therefore, would be considered as capital construction.

Controlled Maintenance Project - A project appropriation for planned maintenance on an existing state facility as defined in CRS 24-30-1301.

Controlled Maintenance Trust Fund - A separate interest earning fund with the Treasury created by CRS 24-75-302.5(2). Interest earned by the fund is dedicated for controlled maintenance projects.

Custodian for Acceptable Securities - The public entity or any national bank, state bank, trust company, or savings and loan association located in this state and designated by mutual agreement of the public entity and the contractor to serve as custodian for the acceptable securities.

Eligible Project - A capital construction, not controlled maintenance, project that contains new construction or extensive remodeling of a building.

Emergency Maintenance Project - An appropriation made to the Department of Personnel/General Support Services (GSS) to meet emergency maintenance situations that pose a threat to the public health, welfare, or safety that arise at a state agency or institution.

Encumbrance - A reservation of appropriation representing a commitment reflecting either a purchase order or a contract.

Escrow Agreement - Escrow contract or escrow contract and security agreement with any national bank, state bank, trust company, or savings and loan association located in this state and designated by mutual agreement of the public entity and the contractor, after notice to the surety, to provide as escrow agent for the custodial care and servicing of any acceptable securities deposited with them in lieu of retainage.

Expiring Project - Project that has reached the end of the three year life span. Expiring projects may or may not have unused appropriation authority that needs to be reverted.

Expired But Continuing Projects - Projects that have reached the end of their three year appropriation life but will continue into the subsequent fiscal year because of open and valid encumbrances.

Final Settlement Date - The tenth day following the final day of advertising.

Fixed & Movable Equipment/Furniture - Equipment and furniture necessary for the operation of new, remodeled or renovated buildings and other physical facilities and for the conduct of programs initially housed therein upon completion of the new construction, remodeling or renovation.

General Contractor - An individual or company paid by a state agency to complete all of or a specific portion of a capital construction project.

General Support Services (GSS) - The Department of Personnel.

Grant Budget Line (GBL) - A code in the COFRS grant accounting module used to establish budgetary authority and limits for expenditures within the grant. This code is also used to validate and record all accounting activity for the grant.

Grant Control Options - Settings on the fund/agency (FAGY) table that indicate which COFRS accounting attributes must be used and validated when recording transactions in the grant accounting module.

Information Technology Project - Appropriation made to a state agency for purchase or improvements to computer related equipment, software, and building wiring.

Invoice - A billing/request for payment often listing services/goods provided with terms and conditions for the state agency to pay.

Jury Members - A panel selected and convened by the Colorado Council on the Arts per CRS 24-80.5-101(5)(a) to make recommendations on *Works of Art in Public Places*.

Lis Pendens - A claim, filed in a court by a supplier or sub-contractor, against a general contractor for non-payment of materials or labor.

Long Bill - The annual appropriations act passed by the Legislature and approved by the Governor that provides for the payment of expenses by the Executive, Legislative, and Judicial branches of government for a fiscal year period, including capital construction appropriations.

Lottery Proceeds - Moneys earned by sales of the Colorado Lottery that have been identified as a funding source for a capital construction project.

Phased Project - A single capital construction or controlled maintenance project that receives appropriations in several Long Bills as opposed to receiving the entire appropriation in a single bill. Phased appropriations are identified as such in the Long Bill.

Professional Services Contract - A contract with an architect, engineer, surveyor, or professional project manager.

Project Application - State Buildings Program Form SC 4.1 completed by the state agency to establish a capital construction or controlled maintenance project and document budgeted costs associated with the project.

Project Budget Line - The budgeted amount for each project/sub-project/phase combination related to the project and the level at which funds available edits can be invoked.

Punch List - A list of items related to a capital construction project that need to be completed or corrected by the contractor because they have been identified by the project manager as inadequate or incompletely performed.

Purchase Order - A document issued by State Purchasing or state agency purchasing authority to a vendor for the purchase of equipment, materials and supplies, and labor.

Purchase Requisition - A written request from a state agency to State Purchasing or the agency purchasing authority for the issuance of a commitment to purchase equipment, materials and supplies, professional fees, and labor.

Restriction - Amount of appropriation authority that has been provided to a state agency but is not available for spending.

Retainage - The amount withheld from a payment to a contractor and recorded as a liability of the state in accordance with CRS 24-91-103.

Retrofit Project - Project to adapt an existing facility to ensure it is accessible to persons with disabilities.

Reverting Appropriation - Uncommitted appropriation authority that must be returned to the State Capital Construction Fund at the completion of a project or when the project expires.

Scheduled Workday - Monday through Friday excluding holidays.

Senate Bill 202 Capital Construction Project - A higher education institution project that is to be constructed, operated, and maintained solely from student fees, auxiliary enterprise funds,

wholly endowed gifts and bequests, research building revolving funds, or a combination of such sources, that has been approved by the Colorado Commission on Higher Education in accordance with CRS 23-1-106(9).

Six Months Rule - Statutory requirement that professional services or construction contracts be executed and encumbered within six months of the appropriation becoming available.

Special Bill - A Legislative act approved by the Governor which may increase or decrease budget authority to a state agency that has not otherwise been provided to that state agency through another action such as the Long Bill, a supplemental bill or statute.

Spending Authority - Amount of appropriation authority available to a state agency against which they may record expenditures.

Spending Authority Indicator - A code used on COFRS appropriation transactions to indicate the source of the appropriation. Spending authority indicators (SAI) that are used with capital construction appropriations are:

SAI “01” indicates the appropriation is from the Long Bill.

SAI “02” indicates the appropriation is from a special bill.

SAI “03” indicates the appropriation is from a supplemental bill.

SAI “06” indicates the appropriation is reverting.

SAI “07” indicates an appropriation transfer.

SAI “08” indicates the appropriation is a capital construction carry-forward.

State Agency - An agency, division, section, unit, commission, board, bureau, college, university, or institution in Colorado state government created by law, executive order, or any other authority.

State Buildings Program (SBP) - Supervises and is responsible for the expenditure of funds appropriated by the General Assembly for capital construction and controlled maintenance projects at state agencies.

State Capital Construction Fund - A separate interest earning fund with the Treasury created by CRS 24-75-302 used to fund capital construction fund activity as defined by 24-75-301(1).

State Funded Capital Construction Project - An appropriation or a series of appropriations made to a state agency or institution to complete a specific capital construction objective as defined by CRS 24-30-1301.

Statewide Contract - A contract between a central approving agency, for example the State Buildings Program and a vendor in order to provide a specific type of service to all state agencies.

Sub-contractor - An individual or company hired by the general contractor to perform a specific portion of a capital construction project.

Substantial Completion - The date when the construction is sufficiently complete, in accordance with the contract documents, as modified by any change orders agreed to by the parties, so that the work or designated portion thereof is available for use by the owner.

Supplemental Bill - A legislative act passed and approved by the Governor to increase or decrease an existing appropriation, or to add a new appropriation subsequent to the Long Bill.

Supplier - An individual or company that sells materials and goods to either the general contractor or any of the sub-contractors, for use on a capital construction project.

Total Contract Value (TCV) - The amount originally encumbered for a contract plus or minus any change orders, amendments, supplements, and reimbursable expenses.

Total Amount Earned - Labor or professional services performed to date including any material provided.

Verified Release of Claim - A written statement received from a supplier or sub-contractor stating that they have been paid by the general contractor.

Verified Statement of Claim - A written notarized statement received from a supplier or sub-contractor stating that they have not been paid by the general contractor.